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SUBJECT: LATVIA: INFLATION UP TO 10.1 PERCENT IN AUGUST

REF: A) RIGA 166, B) RIGA 497, C) RIGA 628

[1](#)1. (U) According to Latvia's Central Statistical Bureau (LCSB), inflation in August increased .4 percent since July, bringing annual inflation up 10.1 percent year-on-year. This marks the first time Latvian inflation has reached double digits since January 1997 when consumer prices rose to 11.4 percent. Latvia's inflation rate remains the highest in the EU, according to the EU's Eurostat. LCSB reported that higher prices for tobacco products, catering services, meat and meat products, and heat energy had the biggest effect on inflation in August.

[1](#)2. (U) Inflation is unlikely to decrease in the near term due to pressure on the government to increase wages. Doctors and teachers are demanding salary increases days before Latvia's Saeima (legislature) is due to adopt on September 20 the mid-year budget review. Proposals are also on the table to increase the salaries of the President's Chancery--the lowest salary would be raised from 140 lats per month to 320 lats, and the highest salary would be raised from 3418 lats per month to 4800. The Saeima itself intends to boost 15 fold the amount paid in one-off bonuses to MPs and Saeima employees, making any arguments that others should tighten their belts for the good of Latvia's economy unconvincing.

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